

MEETING OF THE CALIFORNIA STATE BOARD OF FOOD AND AGRICULTURE

(ALL MEETINGS OPEN TO THE GENERAL PUBLIC)

Location: Culinary Institute of America
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St. Helena, CA 94574

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MEETING MINUTES FOR MAY 31, 2006

Item
No.

(1) CALL TO ORDER

- (a) The meeting was called to order Wednesday, May 31, 2006, at approximately 9:00 a.m. Al Montna, President of the State Board of Food and Agriculture presiding.
- (b) Welcoming remarks provided by Al Montna.
- (c) Pledge of Allegiance.

(2) ROLL CALL

Roll call taken by Helen Lopez, Executive Director. A quorum was present.

Present:

Ashley Boren
Drue Brown
Reg Gomes

Luawanna Hallstrom
Craig McNamara
Al Montna

Karen Ross
Ann Bacchetti-Silva

Absent:

Charles Crabb
Charlie Hoppin

Marvin Meyers
Niaz Mohamed

William Moncovich
Adan Ortega

(3) APPROVAL OF MINUTES – April 26, 2006

MOTION: Board Member Craig McNamara moved to approve the minutes of the April meeting. The motion was seconded by Board Member Ashley Boren and a unanimous vote carried the motion.

(4) OPENING REMARKS AND INTRODUCTION

Board President Al Montna welcomed everyone and thanked Board Member Karen Ross, Greg Drescher, and Mark Linder of the Culinary Institute of America for their support and great work in the organization of this meeting. President Montna introduced Secretary Kawamura for departmental updates.

Secretary Kawamura also thanked Greg Drescher and Mark Linder of the Culinary Institute as well as others for their continued support and promotion of California grown products.

Secretary Kawamura congratulated Charlie Hoppin for his recent appointment to the State Water Board. In worthy mention, the Secretary recognized the Board for being able to stay at the forefront of very important issues within the venue of statewide and national importance. A good example was last month's tours and meeting addressing immigration issues and border security, lead by Board Member Luawanna Hallstrom. These events proved timely in connection with a May 23rd report released by the General Accountability Office (GAO) indicating that ports of entry security of pest prevention has lapsed since 911 and the infrastructure of pest exclusion has never been more vulnerable. The Secretary is very pleased with the great support of the Governor's Office in wrapping out one of the fastest quarantine regulatory packages and funding for the eradication process this department has ever had. This is the direct result of great participation on the part of industry, legislators, and areas of finance.

The Secretary commended the Board for its recent tours of water facilities in support of the Governor's water infrastructure plan and levy restructure. These efforts provide the means to constantly stay ahead of these issues and engage support from the public.

(5) DEPARTMENTAL UPDATES

The Secretary attended a Climate Action Team (an interagency group of Secretaries) in Fresno addressing the subject of the future of biofuels and bioenergy. There is great support for agriculture as it relates to biofuels. The Board will see great opportunities in the coming months in the creation of synenergy between environmental and industry groups.

There are exciting things happening as it relates to synenergy and pest prevention. The Board plays a very important role in outreach and highlighting policies that need to be in the forefront.

President Montna commented that one of the meetings scheduled for the fall will focus on agriculture's strategic resource of this country and will be presented by Mike Far, Ag Leadership.

The Board's letter to the Governor on immigration has seen supportive activity and Secretary Kawamura indicated that the Governor is very supportive of immigration and jobs.

(6) OTHER BUSINESS

Secretary Kawamura indicated there would be continuing efforts in the collaboration on invasive species and building a working group to deal with these issues between the DPA,

BT& H, Resources and other entities, which will be an environmental and conservation land working group.

In July, CDFA will begin listening sessions on the 2007 Farm Bill; these sessions will be formally announced in the next few days.

President Montna indicated that Paul Buttner of the CA Rice Industry has requested a letter of support to serve on the USDA's Air Quality Task Force. Board Member Karen Ross indicated that others are applying for this position and it is important to support all of them.

MOTION: Board Member Karen moved to support all candidates for appointment to the USDA's Air Quality Task Force. Al Montna and Helen Lopez are to confirm who the candidates are; the motion was seconded by Board Member Drue Brown and a unanimous vote carried the motion.

(7) RESOLUTIONS

MOTION: Board Member Drue Brown moved to approve the resolution supporting water infrastructure bonds as part of the Governor's strategic growth plan; the motion was seconded by Board Member Karen Ross and a unanimous vote carried the motion.

(8) OVERVIEW OF THE WINE INDUSTRY

Overview of Wine Industry and the competitive position that led to the establishment of the National Grape & Wine Initiative

California's Pierce's Disease & Glassy-winged Sharpshooter Board

President Montna introduced Pete Downs, Chair, Pierce's Disease Task Force and Vice President of Government Affairs, Kendall-Jackson Wine Estates

The threat of the Glassy-winged Sharpshooter has the potential to spread Pierce's Disease and devastate the wine industry. The Pierce's Disease (PD) & Glassy-winged Sharpshooter (GWSS) Board was established by AB 1394 in July 2001 as authored by Assemblyman Wiggins. In September 2004, the Board was renewed by SB1650 as authored by Senator Chesbro. The fifteen-member board consists of: 8 producers, 6 producer-processors, and 1 public member. Cooperative programs include the USDA, CDFA, County Agricultural Commissioners, University of California, Industry Groups, Stakeholders, and the public.

The primary role is to recommend how wine grape assessment funds are used. The PD/GWSS Board Wine Grape Districts are: Southern California, Central Coast, Northern Coast, Central Valley, and North Valley.

The wine grape assessment is based on the value of harvested grapes at a maximum rate of \$3 per \$1 thousand of value and is due in January of each year. A total assessment of \$23.5 million has been collected in the past five years. \$13.5 million used to fund basic research and other expenditures include: a National Academy of Science Study, Biocontrol, Outreach, PIPRA, and other special out of cycle projects approved by the Board.

A Pierce's Disease Research Symposium is held annually along with the publication of its proceedings to provide information to the people and growers paying the assessments. The

Board is currently trying to form a team of researchers for the purpose of sharing intellectual property.

The overall benefit of the Board is saving a multi-billion dollar industry and thousands of jobs and preserving our quality of life. Board member Karen Ross indicated the Nursery Industry has been a great support to the Pierce's Disease Board.

Direct Shipping in a post-Supreme Court era

President Montna introduced Paul Kronenberg, President, Family Winemakers of California

Family Winemakers of California is a statewide association established in 1991, representing over 750 independent vintners and supporting businesses, and is mostly small producers. Direct to consumer sales has been a major focus of the association since 1999.

A landmark case is the Supreme Court decision that basically states that there can be no discrimination within state wineries that allows direct to consumer sales and shipping. As a result, the market has increased dramatically for small winery producers with the greater benefit of consumer choice and lower prices.

The emphases to promote California products and small producers through direct consumer sales take time to sort through legal and competitive issues. It is important to remember, the court victory doesn't change the political dynamics within the State and it doesn't change the multi-year relationships that exist between in-state wholesalers.

Direct shipping reform has been a no-holes-barred struggle for many years and some of the challenges include: method for collecting taxes, under age access, and competition for small businesses. For the next 12 months all wineries can direct ship. In this year, they will be asking, "Have the major wholesalers lost market share or money?" The answer is no.

Air and Water Quality issues for wineries

President Al Montna introduced Chris Savage, Director, Global Environmental Affairs, E. & J. Gallo Winery

Chris Savage provided a PowerPoint presentation that addressed Air Quality Issues in the Central Valley identifying the San Joaquin Valley Air Basin and its sources of emission; a review of operations in the winery that have an impact on Air Quality; and, a review of San Joaquin Valley APCD Rule 4694 – Wine Fermentation and Storage.

San Joaquin Valley is the largest basin in California and will get the most focus at the state and federal level as a source of pollution emissions. NOX and VOC s are the factors that contribute to pollution. Winery operations contribute to 0.4% of VOC emissions. The two major sources of pollution emissions are stationary sources and mobile sources. In the San Joaquin basin, the focus is on regulating the stationary sources such as wineries and dairies rather than focusing on mobile sources.

Operational issues of concern in vineyards are:

- PM-10 and PM-2.5 resulting from cultivating and harvesting
- Odor issues
- Air permitting of operations which exceed 50% of the major source threshold

- Agricultural irrigation engines
- SB 700 requirements

Winery operation concerns are:

- Boilers/hot water heaters
- Warehousing operations
- Compost operations
- Wastewater treatment operations
- Fermentation operations
- Wine storage operations

The Gallo Facility in Livingston is the largest in the world. It spent \$2.5 million in meeting the boiler/heater requirements. Warehouse operations are also a concern because they are heavily regulated. An area where the state board can focus on is the compost operations since the regulators are starting to regulate these.

Rule 4694

- Purpose is to reduce emissions of VOCs from the fermentation and bulk storage of wine, or achieve equivalent reductions from alternative emission sources.
- Applicability
 - This rule applies to any winery fermenting wine and/or storing wine in bulk containers
 - Rule approved by local air district in December, 2005
 - EPA still has to approve the rule to make it federally enforceable
 - It is expected that EPA will take several months to work through their issues

If EPA disallows the rule it could cause major problems to the wine industry. If EPA takes too long to approve the rule, it causes a concern to the industry.

- Requirements include:
 - 35% of fermentation emissions must be controlled (approximately 250 tons for Valley wineries)
 - January 1, 2007 begin monitoring temperature on wine storage tanks that are over 5000 gallons
- Unique qualities of this rule:
 - Performance based versus command and control (C&C)
 - C&C would never have worked due to quality and style risk to product and costs
 - Range of cost under C&C U.S. \$120 to \$280 thousand/ton of control
 - Four (4) ways to comply with the rule
 - Install controls on fermenters (this is not possible due to costs, operational constraints, and quality considerations)
 - Control / Over-control non-fermentation sources at the winery (e.g. boilers, idling trucks, etc.)
 - Control sources of emissions that are not associated with the site (20% penalty is imposed) (e.g. rail road engines, buses, I.C. Engines in vineyards, etc.)
 - Pay into a mitigation fund on an annual basis at \$11,778 per ton. (This will without question go up as the years go by)

According to Mr. Savage, no one in the world has been asked to control fermentation; California is the only state that has to comply.

Water Quality Issues

- High degree of focus on Food Processors and Wineries...Land application in particular
- Some truth in findings of non-compliance...lots of speculation
- Lots of activity going on around the state on general Waste Discharge Orders and development of science to address long term need
- What are the main concerns:
 - BOD loading to land...may effect mobilization of some elements in the soil (Fe and Mg)
 - Nitrate contamination of groundwater
 - Salts...ubiquitous problem
- Should we be looking at this...Yes
- Should we use good science to make decisions...Yes
- Is good science being used in most cases...No
- What is the solution...Statewide, cooperative effort to address how to handle this issue
- What study efforts are currently underway:
 - Wine Institute Land Application Guidelines
 - CLFP Manual of Good Practice for Land Application...Update
 - Hilmar Cheese supplemental environmental plan
 - CRWQCB salinity study

Overview of sustainable practices in the wine industry, here and around the world

President Al Montna introduced Ann Thrupp, Manager of Organic Development and North Coast Grower Relations Representative Fetzer Vineyards

Ann Thrupp provided a presentation of the concept of sustainability, what it means, and trends in the U.S. and abroad. She then addressed the emergents of sustainable practices in the California Wine community and provided a summary of the California sustainable wine program. She followed this with initiatives in other states and around the world.

What does the concept of sustainability mean? It is often called the triple bottom line, not only taking care of profitability, but also people and the climate or the three P's: People, Planet, and Profit, to ensure viability over time for current and future generations.

Sustainable Agriculture is a very broad concept that encompasses environmental sound, social equitable, and economically profitable methods of agriculture that preserve the environment. There is a global interest in sustainability because of resource scarcity, environmental degradation, health threats, and population growth. There is growing involvement in sustainable development and sustainable agriculture among governments and public agencies worldwide. There is a large consortium of corporations (manufacturing & service entities) coming together to define what sustainable means. Also, there is a global organization known as The Sustainable Agriculture Platform. Consumers, social and environmental challenges, and competition for a health conscience and pro environment populace, drive all of this.

In the wine community there were a lot of factors that led to the emergence of sustainable practices and alternatives for more natural ways of farming. Environmentally sound,

economically feasible, and socially equitable practices are the acceptable definition of sustainable. In 2001/02, the wine industry developed the Code of Sustainable Winegrowing Practices and is now referred to as the Sustainable Wine Grape Program. This produced a self-assessment workbook that is reviewed in workshops that provide the different criteria for a 1 to 4 scale of self-assessment. In 2004, a report was published showing the overall results of self-assessments. The key elements of lessons learned are:

- Collaboration – willingness to partner
- Transparency
- Marked value creating differential
- Pro-active & progressive
- Serving as a model

Many wineries are conducting self-assessments. They send their information and are rated on how well they are doing. Many have participated on the Self-Assessment Workshops. They are also showing demonstration sites to showcase water and air quality innovations. In 2004, a report was published showing the overall results of the winery self-assessments.

The phenomenon of sustainability is happening worldwide and it is becoming a competitive issue, which is a good thing. Some examples are: Australia, New Zealand, and South Africa. Ecolabels or sustainability label certification is being asked from a lot of growers. At present, this is encouraged on a voluntary basis and by self-assessment. It is uncertain if a sustainable certification program will be implemented. These programs are high in cost and may cause confusion about the different types of programs.

Why learn about and use sustainable practices? It has economic, social, and environmental benefits to the Agricultural sector.

Overview of Consumer Perception of CA Wine and the opportunities to enhance tourism, specifically, culinary tourism

President Al Montna introduced Nancy Light, Director of Communications, Wine Institute

Nancy Light provided the Board with a PowerPoint presentation on the background and methodology of the Wine Institute Survey to understand and enhance the market for California wine in the U.S. She indicated that the primary mission is public policy. Wineries play a simple role in CA tourism. They recognized an opportunity to enhance the competitiveness of the CA wine community.

The Wine Institute focused on:

- U.S. Market Development Initiative to provide tools and information to enhance the competitiveness of the California wine community.
- Research designed as a benchmark on U.S. consumer attitudes and usage of wine, specifically from California.
- Principal goals:
 - Gain insight into U.S. consumer behavior and attitudes of value to winery members.
 - Guide development of U.S. Market Development efforts by Wine Institute.
 - Identify the most promising messages for the California wine community.

Survey Methodology

- 2,442 online interviews were conducted that include 56 questions on the following subjects:
 - Wine consumption preferences and behavior
 - On-premise behavior
 - Regional familiarity, consumption, and perception
 - Attitudes and lifestyles
 - Information/communication channels
 - Demographics

Wine consumer key findings:

1. From an attitudinal standpoint, wine consumers exhibit traits that put them on the leading edge of trends today.
2. Most wine consumers drink wine for reasons that speak to enhancing an experience, and do so in small, intimate gatherings.
3. From an overall standpoint, wine consumers decide what wines to purchase based on 4 important criteria:
 - a. Personal comfort level (What I like, what I'm familiar with)
 - b. Consistency
 - c. Value for the money
 - d. Occasion (meal, social)
4. Wine consumers tend to look to personal recommendations as the most prized source of information about wine:
 - a. Recommendations from trusted friends/family and on-premise personnel are most influential.
 - b. Winery visits are equally powerful in terms of influencing a purchase.
5. Among those who purchase wine at restaurants, bars, and clubs, approximately three to four purchases (74%) are by the glass.
6. More than two in five wine consumers (42%) report that they prefer domestic and imported wines equally.

Wine consumer perception of California wines of the twelve regions evaluated, California ranked first in terms of familiarity, consumption, and positive impressions.

Next steps...Conveying a Consistent Message on California wine through collaborated statewide partnership with:

- California Travel & Tourism Commission
- California Grown – Buy California Marketing Agreement
- California Restaurant Association

California is:

- A spectacular place to grow and make wine
- Home to talented and ingenious winemakers and winegrowers
- World-renowned for its cutting-edge lifestyle and cuisine
- Deeply committed to sustainable winegrowing to preserve the environment and rural communities.

(9) COMMENTS FROM THE PUBLIC

Dave Whitmer, County Ag Commissioner for Napa provided the Board with packets containing the Ag Crop Report for 2005 & Vineyards and the Watershed. He further indicated that Napa County has a special district to acquire and maintain farm worker

housing. They need housing for those farm laborers that come in the peak seasons. They currently have the land to provide farm worker housing.

President Montna recommended Mr. Whitmer talk to Board member Luawanna Hallstrom regarding modular homes for farm workers.

Board member Karen Ross, requested the board support a bill that is currently in the house on modular housing.

(10) CLOSING COMMENTS AND ADJOURNMENT

The Board will produce a letter of support for the candidates of the Air Quality Task Force and Ashley Boren, Ann Silva, and Karen Ross will confirm who the candidates are.

President Montna thanked all of the day's speakers and with no other business before the Board. The meeting was adjourned at 12:30 pm.